FOREWORD

For any business looking to set up in a new market, one of the critical deciding factors will be the target country’s tax regime. What is the corporate tax rate? What capital allowances can we benefit from? Are there double tax treaties? How will foreign source income be taxed?

Since 1994, the PKF network of independent member firms, which is administered by PKF International Limited, has produced the PKF Worldwide Tax Guide (WWTG) to provide businesses with the answers to these key tax questions. This handy reference manual provides clients and professional practitioners with comprehensive international tax and business information for over 100 countries throughout the world.

As you will appreciate, the production of the WWTG is a huge team effort and I would like to thank all the member firms of the PKF network who gave up their time to contribute the vital information on their country’s taxes that forms the heart of this publication. I would also like thank Richard Jones, PKF (UK) LLP, Kevin Reilly, PKF Witt Mares, and Rachel Yeo and Scott McKay, PKF Melbourne for co-ordinating and checking the entries from within their regions.

This year’s WWTG is the largest ever reflecting both how the PKF network is growing and the strength of the tax capability offered by member firms throughout the world.

I hope that you find that the combination of reference to the WWTG plus assistance from your local PKF member firm will provide you with the advice you need to make the right decisions for your international business.

Mark Pollock
PKF Perth
Chairman, International Tax Committee of the PKF network
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The PKF Worldwide Tax Guide 2010 (WWTG) has been prepared to provide an overview of the taxation and business regulation regimes of over 100 of the world’s most significant trading countries. In compiling this publication, member firms of the PKF network have sought to base their summaries on information current as of 30 September 2009, while also noting imminent changes where necessary.

On a country-by-country basis, each summary addresses the major taxes applicable to business; how taxable income is determined; sundry other related taxation and business issues; and the country’s personal tax regime. The final section of each country summary sets out the Double Tax Treaty and Non-Treaty rates of tax withholding relating to the payment of dividends, interest, royalties and other related payments.

While the WWTG should not to be regarded as offering a complete explanation of the taxation issues in each country, we hope readers will use the publication as their first point of reference and then use the services of their local PKF member firm to provide specific information and advice.

In addition to the printed version of the WWTG, individual country taxation guides are available in PDF format which can be downloaded from the PKF website at www.pkf.com

Finally, PKF International Limited gladly welcomes any comments or thoughts readers may wish to make in order to improve this publication for their needs. Please contact Kevin F Reilly, PKF Witt Mares, 10304 Eaton Place, Suite 440, Fairfax, Virginia 22030, USA by email to kreilly@pkfwittmares.com

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The membership base of the PKF network has grown steadily since it was formed in 1969. Added to the sustained growth in the number of PKF member firms, this solidity has provided the foundations for the global sharing of expertise, experience and skills and the development of services that meet the evolving needs of all types of client, from the individual to the multi-national corporation.

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- Insolvency – Corporate & Personal
- Financial Planning
- Taxation
- Corporate Finance
- Forensic Accounting
- Management Consultancy
- Hotel Consultancy
- IT Consultancy

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Please visit www.pkf.com for more information.
STRUCTURE OF COUNTRY DESCRIPTIONS

A. TAXES PAYABLE

FEDERAL TAXES AND LEVIES
COMPANY TAX
CAPITAL GAINS TAX
BRANCH PROFITS TAX
SALES TAX/VALUE ADDED TAX
FRINGE BENEFITS TAX
LOCAL TAXES
OTHER TAXES

B. DETERMINATION OF TAXABLE INCOME

CAPITAL ALLOWANCES
DEPRECIATION
STOCK/INVENTORY
CAPITAL GAINS AND LOSSES
DIVIDENDS
INTEREST DEDUCTIONS
LOSSES
FOREIGN SOURCED INCOME
INCENTIVES

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D. CORPORATE GROUPS

E. RELATED PARTY TRANSACTIONS

F. WITHHOLDING TAX

G. EXCHANGE CONTROL

H. PERSONAL TAX

I. TREATY AND NON-TREATY WITHHOLDING TAX RATES
INTERNATIONAL TIME ZONES

AT 12 NOON, GREENWICH MEAN TIME, THE STANDARD TIME ELSEWHERE IS:

A
Angola .................... 1 pm
Argentina ................ 9 am
Australia -
Melbourne ................ 10 pm
Sydney .................... 10 pm
Adelaide .................. 9.30 pm
Perth ........................ 8 pm
Austria ...................... 1 pm

B
Bahamas .................... 7 am
Bahrain ..................... 3 pm
Barbados ................... 8 am
Belgium ..................... 1 pm
Belize ........................ 6 am
Bermuda .................... 8 am
Bolivia ..................... 8 am
Botswana ................... 2 pm
Brazil ........................ 7 am
Brunel ......................... 8 pm
Bulgaria ..................... 2 pm

C
Cameroon ................... 1 pm
Canada -
Toronto .................... 7 am
Winnipeg .................... 6 am
Calgary ...................... 5 am
Vancouver .................... 4 am
Cayman Islands ................ 7 am
Chile .......................... 8 am
China - Beijing ............ 10 pm
Colombia .................... 7 am
Costa Rica ................... 6 am
Croatia ....................... 1 pm
Cypus .......................... 2 pm
Czech Republic ................ 1 pm

D
Denmark ..................... 1 pm
Dominican Republic ........... 7 am

E
Ecuador ....................... 7 am
Egypt ........................... 2 pm
El Salvador ................... 6 am
Estonia ....................... 2 pm

F
Fiji ........................... 12 midnight
Finland ....................... 2 pm
France .......................... 1 pm

G
Gambia (The) ................ 12 noon
Germany ...................... 1 pm
Ghana ......................... 12 noon
Greece ........................ 2 pm
Grenada ....................... 8 am
Guatemala .................... 6 am
Guernsey ...................... 12 noon
Guyana ......................... 8 am

H
Hong Kong .................... 8 pm
Hungary ...................... 1 pm

I
India ........................... 5.30 pm
Indonesia .................... 7 pm
Ireland ....................... 12 noon
Israel ........................ 2 pm
Italy ............................ 1 pm

J
Jamaica ....................... 7 am
Japan .......................... 9 pm
Jersey ......................... 12 noon
Jordan ......................... 2 pm

K
Kazakhstan ................... 5 pm
Kenya .......................... 3 pm
Korea .......................... 9 pm
Kuwait ........................ 3 pm

L
Latvia ........................ 2 pm
Lebanon ....................... 2 pm
Leeward Islands (Nevis, Antigua, St Kitts) . 8 am
Libya ........................... 2 pm
Liberia ........................ 12 noon
Lithuania ...................... 2 pm
Luxembourg ................... 1 pm

M
Malaysia ....................... 8 pm
Malta ............................ 1 pm
Mauritiujs ....................... 4 pm
Mexico .......................... 6 am
Morocco ....................... 12 noon

N
Namibia ....................... 2 pm
Netherlands (The) ............ 1 pm
Netherlands Antilles ........... 8 am
New Zealand ................... 12 midnight
Nigeria .......................... 1 pm
Norway .......................... 1 pm

O
Oman ........................... 4 pm

P
Panama ........................ 7 am
Papua New Guinea ........... 10 pm
Peru ............................. 7 am
Philippines ....................... 8 pm
Poland .......................... 1 pm
Portugal ........................ 1 pm
Puerto Rico ..................... 8 am

Q
Qatar ........................... 8 am
Romaniia ....................... 2 pm
Russia -
Moscow/St Petersburg ........... 3 pm

S
Sierra Leone ................... 12 noon
Singapore ...................... 7 pm
Slovak Republic ................ 1 pm
South Africa ................... 2 pm
Spain .......................... 1 pm
Swaziland .................... 2 pm
Sweden ........................ 1 pm
Switzerland .................... 1 pm

T
Taiwan .......................... 8 pm
Tanzania ........................ 3 pm
Thailand ........................ 7 pm
Trinidad and Tobago ............ 8 am
Turkey .......................... 2 pm
Turks and Caicos Islands ...... 7 am

U
Uganda .......................... 2 pm
Ukraine .......................... 2 pm
United Arab Emirates .......... 4 pm
United Kingdom ................ (GMT) 12 noon
United States of America -
  New York City ................. 7 am
  Washington, D.C. .......... 7 am
  Chicago ...................... 6 am
  Houston ........................ 6 am
  Denver ........................ 5 am
  Los Angeles .................. 4 am
  San Francisco ................ 4 am
  Uruguay ....................... 9 am

V
Vanuatu .......................... 11 pm
Venezuela ....................... 8 am
Vietnam

Z
Zambia .......................... 2 pm
GUERNSEY

Currency: British Pound (GBP)  Dial Code To: 44  Dial Code Out: 00

Member Firm:
City: St Peter Port
Name: André Trebert
Contact Information:
Phone: 01481 727927
Email: andre.trebert@pkfguernsey.com

A. TAXES PAYABLE

COMPANY TAX
All companies incorporated in Guernsey are treated as either resident and therefore chargeable to income tax, or given exempt status.

EXEMPT COMPANIES
Exempt companies are beneficially owned by non-residents and are required to pay an annual exemption fee of £600. An exempt company pays no tax on income from sources outside Guernsey. Income arising from any source in Guernsey is subject to income tax (except for bank deposit interest). With effect from 1 January 2008, exempt status has been abolished for privately owned companies. Thereafter, all Guernsey registered companies will be treated as resident for taxation purposes. Guernsey investment schemes, however, are still able to claim exempt status.

RESIDENT COMPANIES
Companies are resident for corporation tax purposes if they are incorporated in Guernsey or are managed and controlled in Guernsey. It should be noted that management and control of a company is by reference to share ownership, such that a non-Guernsey registered company will be treated as resident if its controlling shareholder is Guernsey resident.

For resident companies, the income tax rate was 20% until 31 December 2007. From 1 January 2008 the company standard rate of tax has reduced to 0% although certain types of Guernsey source income will continue to be taxed on companies. Income arising from Guernsey property development or Guernsey rental income will be taxable at the company higher rate of 20%. Also, the profits of utilities regulated by the Office of Utility Regulation are also subject to the 20% rate. Profits arising from certain banking activities and the provision of credit facilities are subject to tax at the company intermediate rate of 10%.

The tax year runs from 1 January to 31 December although companies may adopt a year end of their choice. From 1 January 2006, business profits are assessed on a current year basis. Tax is payable in two instalments on 30 June and 31 December in the Year of Charge or 30 days following the issue of the assessment if issued after these dates. Tax returns are issued at the beginning of January each year and should be submitted along with a copy of the profit and loss account and the balance sheet of the company for the usual accounting period ending in the previous year to 31 December. Where returns have not been submitted by mid-June, an estimated assessment will be raised that is based on the previous year’s figures inflated by RPI.

INTERNATIONAL COMPANIES
With effect from 1 January 2008, International Business Company Status (IBC) is abolished. Prior to 2008, an IBC was a company managed and controlled in Guernsey, wholly owned by non-residents and, although trading exclusively with, or arranging for trading operations between non-residents, a real presence could be demonstrated in Guernsey. Although the company was resident in Guernsey, it was not subject to the usual 20% tax. Instead, it was able to choose a rate that was above zero and not more than 30% to be agreed with the Guernsey tax authorities subject to a minimum tax charge of £1,000. As the rate of tax was capable of reaching 30%, a company could be subject to tax at a rate satisfying the controlled foreign company and anti-avoidance legislation of many countries.

PROTECTED CELL COMPANIES
During 1997, legislation was introduced to facilitate the creation of protected cell companies. Under the legislation, investors in, and creditors of, one particular cell of the company are protected from the liabilities (including the tax liability attributable to the profits) of other cells. The taxable profits of each cell are computed separately, with the profits and losses being apportioned between the cells in accordance with arrangements set out in the articles of association of the company or other relevant agreements affecting the company. Tax adjusted losses are allocated to individual cells in accordance with the liability for those losses concerned, although it should be possible to elect to surrender the loss against the profits of other cells.
CAPTIVE INSURANCE COMPANIES

Until December 2007 there were special rules for the taxation of overseas controlled captive insurance companies. There were three methods of taxation of captives in Guernsey. The captive insurance company could be assessed at 20% on net taxable profits and could postpone part of the tax due in accordance with the proportion of claims reserved. Alternatively, it could elect to be taxed on a sliding scale basis with income derived from underwriting activities outside Guernsey being excluded. The other alternative was to elect to be an exempt company in which case it would pay an annual fee of £600. These options ceased to apply with effect from 1 January 2008 and from this date companies are taxed at 0% unless in receipt of income taxable at either the 10% or 20% rates.

“ZERO 10” CHANGES

Companies owned by non-Guernsey resident shareholders and which have no taxable Guernsey source of income will not be required to submit annual financial statements to the States of Guernsey and will have no Guernsey tax liability. For trading companies with Guernsey resident shareholders, no Guernsey tax liability will arise until trading profits are distributed to the Guernsey resident shareholders. On making a distribution, the company will act as agent for the shareholder and will withhold tax at the individual standard rate of 20%. Investment income arising to companies with Guernsey resident shareholders will be deemed to be distributed to Guernsey resident shareholders who will be charged accordingly. Again the company will be required to pay tax as agent for the shareholder. Certain anti-avoidance measures mean that “trigger events” will result in undistributed profits being charged to tax. These “trigger events” are essentially share disposal, the cessation of business or the shareholder becoming non-resident. They will not apply if the company has made an irrevocable election to distribute at least 65% of its profits annually.

CAPITAL GAINS TAX
There is no capital gains tax in Guernsey.

BRANCH PROFITS TAX
There is no branch profits tax in Guernsey.

SALES TAX/VALUE ADDED TAX (VAT)
There is no sales tax or VAT in Guernsey.

FRINGE BENEFITS TAX

Benefits in kind are taxable on employees who receive benefits such as the provision of food, rent-free accommodation, and private use of a company motor vehicle. The tax on benefits in kind can be paid either by the employer or the employee.

LOCAL TAXES
Taxes are levied on a state level only.

B. DETERMINATION OF TAXABLE INCOME

The taxable income of a company is determined by ascertaining assessable income and then subtracting all allowable deductions. Generally, to be deductible, expenditure must be wholly and exclusively expended for the purposes of the business. Special rules apply in respect of the categories listed below.

DEPRECIATION

No deduction is permitted in respect of depreciation on capital items. However, annual allowances, calculated using the reducing-balance method, are allowed as follows:

- buildings – 1.25%
- plant and machinery – 20%
- motor vehicles – 25% (restricted to first £19,900 for vehicles purchased on or after 1 January 2006)
- various other items can also be written off at specified rates.

Where assets used within a business and on which annual allowances have been granted are disposed of, a balancing allowance or charge will arise where the sale proceeds are less than or exceed the original cost net of allowances given.

STOCK/INVENTORY

All trading stock on hand at the beginning of the year and all trading stock on hand at the end of that year must be taken into account in determining taxable income. Although there is no Guernsey legislation covering the valuation of stock, the income tax authority would follow principles established in the UK. Therefore, the acceptable methods of valuing inventory include FIFO and average cost but not LIFO.
DIVIDENDS
Until 31 December 2007, dividends received by resident companies from other resident companies were chargeable to tax. However, they carried with them a tax credit making them effectively tax free (for the treatment of dividends payable out of post 2007 profits see “Zero 10 changes” above). Dividends received from a UK resident company do not qualify for double tax relief and recipients are, therefore, taxed on the net amount received. Foreign dividends received qualify for unilateral tax relief which is calculated by applying the lesser of:
(i) three quarters of the Guernsey effective rate or
(ii) the foreign effective rate up to the amount of the grossed up foreign income brought into charge.

As dividends are paid out of taxed income, a deduction is not available for tax purposes for the payment of dividends.

INTEREST DEDUCTIONS
Interest is deductible to the extent that it relates to monies borrowed for the purpose of the business.

LOSSES
Losses can be carried forward indefinitely provided there is continuity of ownership and trade. Losses cannot be carried back for more than one year.

C. FOREIGN TAX RELIEF
Guernsey has double taxation agreements with the United Kingdom and Jersey. Excluding dividends received (see above), and debenture interest, double taxation relief is available on all other income taxed at source. Associated with its negotiations in relation to Tax Information Exchange Agreements, Guernsey has entered into limited double taxation arrangements relating to income, and mutual agreement procedures with:

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<thead>
<tr>
<th>Country</th>
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<tbody>
<tr>
<td>Australia</td>
<td>Iceland</td>
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<tr>
<td>Denmark</td>
<td>New Zealand</td>
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<td>Faroe Islands</td>
<td>Norway</td>
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<td>Finland</td>
<td>Republic of Ireland</td>
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<tr>
<td>Greenland</td>
<td>Sweden</td>
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</tbody>
</table>

Unilateral relief is available on all foreign sourced income from countries other than those noted above, including dividends which have had withholding taxes deducted (see “Dividends” above).

TAX INFORMATION EXCHANGE AGREEMENTS (TIEAS)
Guernsey has signed TIEAs with the following countries:

<table>
<thead>
<tr>
<th>Country</th>
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<tr>
<td>Australia</td>
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<td>New Zealand</td>
<td>United Kingdom</td>
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<td>Faroe Islands</td>
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<td>United States of America</td>
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<td>Republic of Ireland</td>
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D. CORPORATE GROUPS
During 1996, legislation was approved which allows for the transferring of loss relief between group companies and applies in respect of any accounting period ending on or after 1 January 1992. For loss relief purposes, companies form a group where one is beneficially entitled to 90% or more of the capital of another company, or 90% or more of the capital of each company is beneficially owned by another company or individual.

E. RELATED PARTY TRANSACTIONS
There is currently no transfer pricing or related party legislation in Guernsey.

F. WITHHOLDING TAX
Until 31 December 2007, withholding tax was required to be deducted from dividends paid to non-residents. UK companies may be able to claim UK unilateral relief for the underlying Guernsey tax on the company’s profits. From 1 January 2008, no withholding tax applies to dividends paid by Guernsey companies to non-resident shareholders.

Many countries deduct withholding taxes at their standard national rate. Under the new zero-rate corporation tax regime, dividends paid by companies out of profits not taxed in Guernsey will be paid without deduction of Guernsey taxation (provided the rate of foreign tax suffered is 20% or more).
Under the EU Savings Tax Directive, EU resident individual investors have the option of receiving bank interest gross by opting for an exchange of information on their savings income with their domestic tax authority or, alternatively, accepting a deduction of 20% withholding tax.

With effect from 1 January 2008, Guernsey rental income will be subject to withholding tax at the rate of 20% regardless of the tax residence status of the landlord. Also, profits arising to landowners from the development of Guernsey property will be subject to tax at the rate of 20%.

G. EXCHANGE CONTROL

Exchange control requirements were abolished in 1987.

H. PERSONAL TAX

Income tax is payable by individuals resident in Guernsey. Those who are resident and principally resident are taxable on their worldwide income.

Until 31 December 2009 persons who are resident but not principally resident are (subject to transitional provisions) taxable on Guernsey-sourced income and any other income from a source outside Guernsey that is brought into the island. With effect from 1 January 2010, an individual who is resident but not principally resident (see below) can elect to pay a minimum tax charge of £25,000 per annum on the basis that he has Guernsey source income of up to £125,000. If Guernsey income exceeds this amount, the tax charge will increase accordingly. There will be no liability to pay tax on foreign source income and Guernsey deposit interest. If the individual’s tax liability on total worldwide income is less than the £25,000 minimum, then the taxpayer can elect to pay the lower amount. The same minimum applies to a married couple as it does to a single person.

From 1 January 2006, the rules on tax residence were simplified. The only test is the number of days spent in Guernsey. An individual will be treated as resident if he spends 91 days or more in Guernsey during a calendar year or he is in Guernsey for 35 days or more in any one calendar year and during the preceding four years he has been in Guernsey for 365 days or more.

From 1 January 2006, an individual who is resident will be treated as principally resident in a calendar year if he spends 182 days or more in Guernsey during the calendar year or he spends 91 days or more in Guernsey during a calendar year and has spent at least 730 days in Guernsey during the previous four calendar years. An individual will also be treated as principally resident in Guernsey in a calendar year if he spends at least 91 days in Guernsey during a calendar year and is not in another territory for a period of 91 days or more.

Income tax is payable on assessable income less allowable deductions. Assessable income includes business income, employment income, dividends, rent and interest received.

Allowable deductions include fees and subscriptions to professional bodies and learned societies, pension scheme contributions, retirement annuity premiums, certain types of interest, charges including mortgages on rental property, and interest on the first £400,000 of a mortgage. Relief is also available on covenanted donations to registered charities.

All employed taxpayers and directors have tax instalments withdrawn from their salaries or wages under the Employees Tax Instalment Scheme by their employers. Self-employed individuals and those without salary or wage income pay their tax liability in two instalments on 30 June and 31 December each year. Fees paid to non-resident directors are not liable to Guernsey tax.

Individuals principally resident in Guernsey during a calendar year are entitled to relief from income tax at the standard rate for that calendar year in respect of personal allowances available according to their respective personal circumstances.

LIMIT ON TAX PAYABLE BY A GUERNSEY RESIDENT INDIVIDUAL

With effect from 1 January 2008, there is a limit placed on the amount of tax payable by a Guernsey resident individual. The limit was £250,000 but applied only to foreign-sourced income and Guernsey deposit interest. With effect from 1 January 2009, this limit is reduced to £100,000. Also, an additional limit of £100,000 was introduced to restrict the tax liability in relation to other Guernsey source income. These same limits apply to a married couple.
PERSONAL ALLOWANCES
The total amount of the personal allowances due to an individual for a calendar year is deducted from the total amount of his income that is chargeable to income tax and the balance is charged at the standard rate of 20%.

For 2010, the single person’s allowance is £9,050 and the married persons’ allowance is £18,100. There are also various other allowances available.

PENSION SCHEMES – GUERNSEY RESIDENTS
Guernsey tax legislation allows for the establishment of a form of self-administered pension scheme known as a Retirement Annuity Trust Scheme. The contributor to the scheme, who must be resident for Guernsey tax purposes, is able to directly influence the investment of the pension funds, and take loans provided there is a normal commercial return and sufficient security. On retirement, between the ages of 50 and 75, there is no requirement for the trustees to purchase an annuity from an insurance company. The trustees may pay an annuity directly from trust funds. The annuity will be subject to tax at the normal Guernsey rate. Any trust funds remaining on the beneficiary’s death are then available for distribution between family members in accordance with the terms of the trust.

These pension arrangements are also capable of being established as QROPS (Qualifying Recognised Overseas Pension Schemes).

PENSION SCHEMES – NON-GUERNSEY RESIDENTS
Pension schemes for non-Guernsey residents can also be established under Guernsey law. Such schemes offer a method of accumulating wealth free of any Guernsey income tax liability. The subsequent payment of benefits from the scheme will also be free of any Guernsey tax liability in accordance with s.40(ee) of the Guernsey Tax Law.